

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
IO-13 AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
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R 070855Z MAR 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 7263
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EGEN, ASEAN
SUBJECT: CONVERSATIONS WITH ASEAN SECRETARIAT OFFICIALS

FOLLOWING IS THE RESULT OF SEVERAL CONVERSATIONS EMBOFF
HAS HAD IN RECENT DAYS WITH ASEAN SECRETARIAT STAFF MEMBERS.

1. EFFECT OF THE DHARSONO AFFAIR. SECRETARIAT OFFICIALS
GENERALLY AGREE THAT THE INCIDENT WILL LEAVE NO PERMANENT
SCARS ON THE REGIONAL ORGANIZATION. SOME OF INDONESIA'S
FELLOW ASEAN MEMBERS REPORTEDLY WERE UNHAPPY AT WHAT
SECRETARIAT OFFICIALS TERMED THE GOI'S "CLUMSY HANDLING"
OF THE SITUATION AND MORE THAN ONE OTHER COUNTRY IS
SAID TO HAVE SUGGESTED THAT DHARSONO BE ALLOWED
TO COMPLETE HIS TERM. IN THE END HOWEVER ALL AGREED
THERE WAS LITTLE THEY COULD OR WOULD WANT TO DO IN THE
FACE OF INDONESIA'S DETERMINATION TO OUST THE
OFFENDER. THE EFFECT ON THE SECRETARIAT TOO SEEMS TO
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HAVE BEEN MINIMAL, WITH ACTIVITIES DURING THE SECGEN'S
CONFRONTATION WITH THE GOI CONTINUING AT THEIR NORMAL, LEISURELY
PACE. SEVERAL SECRETARIAT OFFICIALS GRIPE THAT THE AFFAIR MADE
THE SECRETARIAT AS AN INSTITUTION LOOK SILLY
BUT THEY CONCEDE THAT ITS STOCK WAS ALREADY LOW
AND THAT IT DID NOT HAVE MUCH PRESTIGE TO LOSE.
DHARSONO'S REPLACEMENT, FORMER INDONESIAN SECRETARIAT

DIRGEN UMARYADI, WHO BRINGS SOLID CREDENTIALS TO HIS NEW, SHORT TERM POST, HAS BEEN PUTTING IN FULL DAYS AND HAS SHOWN A MUCH GREATER TENDENCY THAN HIS PREDECESSOR TO KEEP THE STAFF FULLY INFORMED.

2. ASEAN MOMENTUM. STAFFERS AGREE THAT THE TEMPO OF ACTIVITY CURRENTLY DOES NOT MATCH LAST YEAR'S. ECONOMIC BUREAU DIRECTOR (AND NUMBER TWO MAN AT THE SECRETARIAT) DR. AMADO CASTRO (PHIIPPINES) BELIEVES THE SLOWDOWN IS TEMPORARY. HE ATTRIBUTES THE LAGGING PACE TO THE POSTPONEMENT OF SEVERAL MEETINGS, INCLUDING THAT OF THE ECONOMIC MINISTERS, WHICH HAS BEEN FORCED BY POLITICAL DEVELOPMENTS IN THE RP AND ESPECIALLY INDONESIA. CASTRO SAID PREFERENTIAL TRADING, THE DIALOGUES AND INDUSTRIAL COMPLEMENTATION WOULD BE HIGH ON THE MINISTERS' AGENDA AND SUGGESTED THAT THE PACE WOULD PICK UP ONCE THIS AND THE OTHER POSTPONED MEETINGS HAD BEEN HELD.

3. THE DIALOGUES. OPINION ON THE DIALOGUES WITH THIRD COUNTRIES RANGED FROM "NOT GOING WELL" TO "A MESS." FOREIGN TRADE AND ECONOMIC RELATIONS OFFICER ALI ALIAS (MALAYSIA) AND SOCIAL AND CULTURAL BUREAU DIRECTOR LOKE FOO YEE (SINGAPORE) SUGGESTED STRONGLY THAT LACK OF BOTH OVERALL GUIDANCE AND SPECIFIC DIRECTIONS WAS THE BIGGEST SINGLE PROBLEM. (EMBASSY COMMENT: MANY OF ASEAN'S CURRENT DIFFICULTIES CAN BE TRACED TO LIMITED OFFICIAL USE

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THAT SHORTCOMING.) THEY ASSERT THAT THE DIALOGUES INVOLVE ISSUES WHICH CUT ACROSS MINISTERIAL AND FUNCTIONAL LINES AND THAT WHILE VARIOUS COMMITTEES ADDRESS INDIVIDUAL ISSUES, NO ONE BODY IS IN A POSITION TO PROVIDE CONTINUITY AND OVERALL POLICY DIRECTION. LOKE WAS PARTICULARLY CRITICAL OF THE COMMITTEE SYSTEM, WHICH HE CALLED UNWIELDLY AT BEST AND WHICH HAS BEEN PLAGUED BY SUCH PRACTICAL PROBLEMS AS NUMEROUS CANCELLATIONS, LATE ARRIVALS, EARLY DEPARTURES AND INSUFFICIENT LENGTH, IN ADDITION TO SUBSTANTIVE PROBLEMS. CASTRO PUT THE BLAME ON FOREIGN MINISTRIES. IN CONTRAST TO THE "DYNAMIC AND EFFICIENT" ECONOMIC MINISTRIES THE FORMER DO NOT HOLD UP THEIR END. HE SAID PRESSURE FROM THE DIALOGUE COUNTRIES WAS PROBABLY THE BEST WAY TO GALVANIZE ASEAN INTO ACTION.

4. PREFERENTIAL TRADING. CASTRO WAS NOT POSITIVE ABOUT THE NUMBERS BUT BELIEVED TWO MORE LISTS OF ABOUT 250 ITEMS EACH HAD BEEN DEVELOPED AT WORKING GROUP SESSIONS IN SEPTEMBER AND DECEMBER. IF APPROVED BY THE COTT AND SUBSEQUENTLY BY THE ECONOMIC MINISTRIES, THE NEW ITEMS COULD BE INCLUDED IN THE PTA THIS YEAR,

POSSIBLY AS EARLY AS JULY 1.

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5. INDUSTRIAL PROJECTS. DESPITE WIDESPREAD PESSIMISM ABOUT THE FIVE PROJECTS, CASTRO SAID THINGS WERE NOT ALL BLACK. THE FEASIBILITY STUDY FOR THE THAI SODA ASH FACILITY IS NEARLY FINISHED, AS IS ONE FOR THE MALAYSIAN UREA PROJECT, WHICH HE INSISTED WOULD BE CARRIED OUT. HE VOLUNTEERED THAT A WORKING GROUP OF THE COMMITTEE ON FINANCE AND BANKING HAD SPENT THE PREVIOUS WEEK HAMMERING OUT SUCH DETAILS OF THE INDUSTRIAL PROJECTS AS DEBT EQUITY RATIO, PRICING, RATE OF RETURN AND ARTICLES OF ASSOCIATION. HE SAID THE INDONESIAN PROJECT WAS THE MODEL, BUT THAT THE REGULATIONS WOULD BE APPLICABLE TO ALL THE PROJECTS. FYI - THE JAPANESE TEAM HERE TO EVALUATE THE INDONESIAN PROJECT (JAKARTA 1915) DEPARTED MARCH 2. CASTRO SAID SPECIFICS OF THE TEAM'S RECOMMENDATIONS WERE NOT YET KNOWN BUT REITERATED THAT THE GOI HOPES TO GET THE PROJECT UNDERWAY THIS YEAR. CASTRO EXPECTS THE PROJECT TO GO TO OPEN INTERNATIONAL BIDDING, JAPANESE FINANCING
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NOTWITHSTANDING, AND SAID THAT, INASMUCH AS U.S. FIRMS HAD TO A LARGE EXTENT BUILT AND EQUIPPED PREVIOUS INDONESIAN FERTILIZER PLANTS, U.S. CONTRACTORS AND SUPPLIERS ARE WELL PLACED TO DO BUSINESS IN THE INDONESIAN ASEAN PROJECT. EMBASSY WILL FOLLOW UP WITH GOI AND JAPANESE EMBASSY REGARDING THIS POSSIBILITY. END FYI.

6. ASEAN - JAPAN CULTURAL DEVELOPMENT. LOKE PROVIDED INTERESTING COMMENTS REGARDING THE ESTABLISHMENT OF AN ASEAN CULTURAL FUND, TOWARD WHICH THE GOJ HAS PLEDGED \$20 MILLION. LOKE'S PROBLEMS ARE TWO FOLD: ALTHOUGH THE JAPANESE CONTRIBUTION IS WELCOME, CERTAIN INDIVIDUALS IN ASEAN BELIEVE IT IS UNDIGNIFIED TO HAVE THE FIRST CONTRIBUTION TO A CULTURAL FUND MADE BY AN OUTSIDER. HOWEVER DESPITE THIS INSISTANCE THAT ASEAN GOVERNMENTS DONATE FIRST, NOT ONE OF THEM HAS YET COUGHED UP, AND THE FUND WILL REMAIN JUST A CONCEPT UNTIL THEY DO. SECONDLY, LOKE SAID JAPAN'S \$20 MILLION WAS PROVING SOMEWHAT EPHEMERAL, BECAUSE OF CONDITIONS WHICH ARE SO VAGUE AS TO MAKE THE VALUE OF THE PLEDGE "QUESTIONABLE." LOKE WONDERED OUT LOUD WHETHER THIS SCENARIO MIGHT NOT BE PLAYED OUT MANY TIMES AS ASEAN ATTEMPTED TO REDEEM JAPAN'S BILLION DOLLAR PLEDGE, A QUESTION WHICH HIS COLLEAGUES ANSWERED HEARTILY IN THE AFFIRMATIVE. MASTERS

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